BOARD MINUTES 2008

THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS

February 27, 2008
10:00 a.m.

MINUTES

Present:
Chairman Kay Ivey
Mr. Ricky Jones
Mr. Tom Broughton
Mr. Russell Buffkin
Dr. Greg Fitch
Mr. Willie Huff
Dr. Harold McGee
Mr. Chip Hill for Lt. Governor Folsom
Mr. Don Edwards for the Chancellor of Postsecondary Education

Others Present:
Ms. Daria Story, Assistant Treasurer
Mr. Anthony Leigh, Deputy Treasurer
Ms. Brenda Emfinger, College Savings Programs Director
Ms.. Pam Stevenson, Assistant Director, College Savings Programs
Mr. Mike Manasco, Treasury Legal Counsel
Ms. Annoesjka West, Callan Associates
Ms. Millie Viqueira, Callan Associates
Mr. Jay Kloepfer. Callan Associates
Mr. Bob Crompton, Actuarial Resources
Mr. Wade Sansbury, Mauldin and Jenkins
Mr. Miller Edwards, Mauldin and Jenkins
Mr. Marty Lee, Jackson Thornton

Pursuant to written and public notice, a meeting of the Board of Directors of the PACT Program was held in the 6th Floor Conference Room of the RSA Union Building, Montgomery, Alabama, on February 27, 2008.

Agenda Item I.
The meeting was called to order by Chairman Kay Ivey at 10:05 a.m. Roll was taken and a quorum was present.

Agenda Item II.
The minutes of the November 28, 2007 board meeting were presented. A motion was made by Dr. McGee, seconded by Mr. Broughton, for approval as written. The motion unanimously carried.

Agenda Item III (A.)
Chairman Ivey called on Brenda Emfinger for the program report, which is attached for reference. Mrs. Emfinger called the board's attention to the sample Annual Statement and Form 1099Q.

Agenda Item III (B.)
Ms Emfinger discussed with the board, the transition of assets from Bear Stearns to CS McKee. The transition was completed at the end of December, following a decision at the November board meeting to terminate Bear Stearns. The report is attached for reference.

Agenda Item III. (C.)
Chairman Ivey called on Annoesjka West for the quarterly investment report, which is attached for reference. Ms. West introduced Millie Viqueira from Callan, who is the back up consultant on the PACT account.

Ms. West began with an overview of the capital markets stating that the housing market and a rise in oil prices had slowed GDP growth causing volatility in the markets with styles going in and out of favor. Overall, the quarter was not a good one with a negative return of 1.48% for the fund. The equity markets were in negative territory during the quarter. Fixed income as an asset class had a strong quarter, but PACT's fixed income managers had a particularly difficult quarter, lagging both the benchmark and the median manager in their peer group. In the equity markets, large cap outperformed small cap and growth outperformed value. The PACT Fund underperformed the index, attributable to Bear Stearns, Acadian and the fixed income managers' performance.

She reported that domestic fixed income was slightly underweighted in our asset allocation and then discussed individual manager performance.

Bear Stearns underperformed the index but was terminated and assets transitioned to CS McKee. Their return was negative 8.45% vs. the index of negative 5.8%.

The domestic equity managers were discussed. CS McKee, the large cap value manager had a return of negative 2.89%, outperforming the benchmark by 2.91%. InTech, the large cap growth manager had a strong return of 1.36%, beating the index by 2.13%. Rhumbline, the indexed manager was in line with the index, as expected. Earnest Partners, the small cap value manager posted a return of negative 2.72%, outperforming the index by 4.56% and ranking in the first percentile among peers. Turner, the small cap growth manager also had a relatively strong quarter with a negative of 13 basis points, beating the index by almost 2%.

Acadian and New Star, the international equity managers were then discussed. Acadian had a difficult quarter with a negative return of 5.64% vs. the index of negative 1.75%. New Star had a negative return of 1.61% vs. the index of negative 1.75%.

Domestic Fixed Income was then discussed. Sterne Agee's return for the quarter was .54% vs. the index of 3%. Ms. West informed the board that there were four securities in the Sterne portfolio that were priced differently than Bank of New York (BNY), the Custodian. BNY had priced the securities at par because it did not have a pricing source for the securities. Sterne Agee's pricing for the securities was substantially below par. Callan used Sterne Agee's (more realistic) pricing for those four securities to calculate performance going back to August 2007. She stated that BNY had now found a pricing service for three of the four securities. Mr. Huff questioned Stern's holding of CBO's (Collateralized Bond Obligation), stating that these were not marketable. He asked Ms. West to get a written explanation from Sterne justifying their position. Western, the core plus manager was then discussed, stating that their return was 1.67% vs. the index of 3%.

Agenda Item IV.

Ms. West called the Board's attention to a request from Acadian, the international equity manager, for a change in their benchmark. She explained that the request was a result of the recent change that MSCI made to its index methodology. The new index methodology will not include small cap companies and since Acadian was hired to manage an all cap portfolio, this index would be more appropriate. Based on Callan's recommendation, Mr. Broughton made a motion to change the index for Acadian to the MSCI IMI EAFE Index. The motion was seconded by Mr. Huff with unanimous approval.

Agenda Item V. (A.)
Chairman Ivey called on Mr. Marty Lee to begin the presentation of the 2007 Audit Report. Mr. Lee called the board's attention to a letter of resignation from Jackson Thornton. Mr. Lee explained that due to an interpretation of the American Institute of Certified Public Accountants Code of Professional Conduct, an account owner of a PACT contract was considered to have a direct financial interest and therefore, could not give an opinion on the financial statements. Since principals in each of the Firm's offices are account owners, the Firm is not considered independent. Mr. Lee further explained that following the resignation, they had worked with Treasurer's staff to secure an independent auditing firm to provide an opinion for the 2007 audit. He then introduced Wade Sansbury and Miller Edwards of Mauldin Jenkins, the accounting firm secured to complete the audit.

Mr. Edwards provided information on their firm. Mr. Sansbury then discussed the audit report. Mr. Sansbury stated that the opinion was clean, meaning that the statements present fairly, in all material respects, the net assets and changes in net assets for 2007 in conformity with generally accepted accounting principles. He then discussed an issue related to a prior period adjustment necessitated by a change in the recording of liabilities. In the past, tuition payables for the fall were not recorded as such and to more accurately account for these, the change was being made this year. He further stated that because of the new SAS 112 standards, this was a finding. Mr. Sansbury discussed the method used to confirm the accounting work performed by Jackson Thornton and the production of the report, which is attached for reference. Ms. Story then informed the board that this work had been completed without additional cost to the program.

Agenda Item V. (B.)
Chairman Ivey called on Bob Crompton, the PACT Actuary for the 2007 Actuarial Valuation Report. The report is attached for reference.

Mr. Crompton began by informing the board that 2007 was a good year for the program. He reported that the value of the liabilities was $971,599,170 and the market value of assets was $951,857,490 which resulted in a funded status of 97.6%. The funded status for 2006 was 92.7%.

Mr. Crompton provided an analysis of the change in the funded status. He stated that for the first time in several years, the effect of new contracts exceeded the expected growth in the deficit. By combining the gain from investments and the gain from lower than expected tuition inflation, and offsetting this by the change in assumptions, the deficit decreased from $60,536,012 to $19,741,680.

Mr. Crompton discussed additional information and the report was received as information.

Agenda Item V.(C.)
Chairman Ivey called on Ms. Emfinger for a discussion of qualified fees. Ms. Emfinger called the board's attention to information provided concerning the history of the payment of fees. She then explained that although fees, as a percentage of total payments, were not currently detrimental to the program, the board had requested options to consider going forward that would provide a consistent, quantifiable method for the payment of fees. She presented four options for consideration.

After discussion of the options, a motion was made by Mr. Jones to accept Option 1, providing a list of 10 specific categories of fees that would be covered going forward with no additional categories to be approved or added. The motion was seconded by Dr. McGee and the Chairman asked for discussion. Mr. Edwards stated that he could not support the motion because the categories were not meaningful and that we needed an understanding of what these fees were. He asked for additional options and made a motion to table the current motion. Chairman Ivey explained that the issue had been discussed at previous meetings and that the Board wanted to resolve the issue. There being no second to Mr. Edward's motion, the original motion was called back for a vote. Dr. Fitch abstained. Mr. Edwards voted "no" and the remainder of board members voted "yes". The motion carried.

Chairman Ivey told the Board that this change would be presented in the Rules at the May meeting and that following that meeting, a letter would be sent to purchasers and schools.

Agenda Item V. (C.)
Ms. Emfinger discussed with the Board a proposal to define "tuition" in the 2008 Rules. She discussed information on the various nontraditional methods of pricing tuition such as distance learning, study abroad, on-line, and internet/web classes. She further stated that the rates were typically much higher for these types of classes and contracts had always been priced for the basic tuition rate. Staff recommended the following definition: "Tuition – the basic resident undergraduate tuition charged by an Alabama public Eligible Institution, as certified by the institution". A motion was made by Dr. McGee to approve the definition as presented. It was seconded by Mr. Huff with unanimous approval.

Agenda Item V. (D.)
Jay Kloepfer was introduced for a presentation of the 2008 Asset/Liability Study. The report is attached for reference.

Mr. Kloepfer gave an overview of the study and the capital market projections. He then discussed different asset mixes based on a risk/reward structure. Various assumptions were discussed as well as simulation results. Mr. Kloepfer informed the board that there were options that could be considered to increase the likelihood of achieving the desired investment return, including a reallocation of the current asset classes or adding additional classes. Mr. Kloepfer was asked to bring recommendations back to the board for consideration at the May meeting.

There being no further business, the meeting was adjourned at 2:30 p.m.

Kay Ivey

Chairman Kay Ivey

THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS

May 21, 2008

10:00 a.m.

MINUTES

Present:
Chairman Kay Ivey
Mr. Ricky Jones
Mr. Tom Broughton
Dr. Greg Fitch
Mr. Willie Huff
Mr. Daniel Hughes
Dr. Harold McGee
Ms. Linda Adams for Lt. Governor Folsom
Mr. Gene Murphree for the Chancellor of Postsecondary Education

Others Present:
Ms. Daria Story, Assistant Treasurer
Mr. Anthony Leigh, Deputy Treasurer
Ms. Brenda Emfinger, College Savings Programs Director
Ms.. Pam Stevenson, Assistant Director, College Savings Programs
Ms. Annoesjka West, Callan Associates
Mr. Bob Crompton, Actuarial Resources
Mr. Wade Sansbury, Mauldin and Jenkins
Mr. Miller Edwards, Mauldin and Jenkins
Mr. Hilton Galloway, Carr, Riggs & Ingram
Mr. Elton Sims, Carr Riggs & Ingram

Pursuant to written and public notice, a meeting of the Board of Directors of the PACT Program was held in the 6th Floor Conference Room of the RSA Union Building, Montgomery, Alabama, on May 21, 2008.

Agenda Item I.
The meeting was called to order by Chairman Kay Ivey at 10:05 a.m. Roll was taken and a quorum was present.

Agenda Item II.
The minutes of the February 27, 2008 board meeting were presented. A motion was made by Mr. Broughton, seconded by Mr.Huff, for approval as written. The motion unanimously carried.

Agenda Item III (A.)
Chairman Ivey called on Brenda Emfinger for the program report, which is attached for reference. Mrs. Emfinger called the board's attention to the sample "First Time in College" letter and briefly explained the purpose.

Agenda Item III. (B.)
Chairman Ivey called on Annoesjka West for the quarterly investment report, which is attached for reference.

Ms. West began with an overview of the capital markets stating that the credit crunch and liquidity crisis has worsened along with higher energy, food and oil costs. All of this is indicative of a major economic slowdown or recession causing tough times in the investment markets.

In the PACT portfolio, active managers had a tough quarter. Fixed income also underperformed. Manager performance was the main cause of underperformance. Asset allocation was in line with the policy

The total fund had assets on March 31 of $704,016,978, down approximately $55 million from the previous quarter. Returns for a five year period look much better than those for three years and the past year.

Ms. West discussed the large cap growth manager, Enhanced Technologies (InTech). She stated that they lagged the benchmark since inception; however, they have only been managing for the past two and a half years. She recommended giving them time to improve performance since they have proven in the past that they can outperform the index. She also informed the Board that the Co-CEO was leaving the firm but did not expect this to impact management of our portfolio.

The domestic equity managers were discussed. As always, Rhumbline tracked the index. CS McKee, the large cap value manager had a return of -8.72%, outperforming the index of -8.72%. Earnest Partners, the small cap value manager, with a return of -8.37%, underperformed the index of -6.53%. Turner Partners, the small cap growth manager, underperformed the index of -12.83% with a return of -14.33%.

The international equity managers were discussed. Acadian, the benchmark agnostic manager, underperformed the index of -8.91% with a return of -9.21%. New Star, the core manager, had a return of -9.91% against the index of -8.91%. Ms. West informed the Board that New Star has only had 4 good quarters out of the last 12 and recommended replacing them. She suggested a manager who has a higher allocation to emerging markets. It was the consensus of the board that a Request for Proposal would be issued for a new manager with presentations at the August board meeting. New Star will continue managing until a new manager is hired.

Ms. West then discussed fixed income investments. Sterne Agee, the core manager, had a return of .38% vs the index of 2.17%. Underperformance was caused primarily by the mark to market of the CDO securities. Western, the core plus manager also had a difficult quarter with a return of -.27% vs the index of 2.17%. It was the consensus of the Board that down markets were not a good time to change managers.

Ms. West informed the Board that the markets had turned around somewhat at the end of April. She then discussed briefly, a report on April performance, which is attached for reference.

Chairman Ivey informed the Board that the auditing firms who would be making presentations had arrived and suggested that this be taken out of order to allow them a more timely departure.

Agenda Item IV. (D.)
Ms. Emfinger briefly informed the board of the process staff used to review the proposals for auditing services.

Chairman Ivey introduced Hilton Galloway and Elton Sims who were presenting for Carr, Riggs and Ingram. Mr. Galloway briefly described his firm and their capabilities to do the work. Information is attached for reference.

Chairman Ivey then introduced Wade Sansbury and Joel Black, representing Mauldin & Jenkins. Mr. Sansbury gave an overview of their firm and their capabilities, including their previous work on the 2007 PACT audit. Information is attached for reference.

Mr. Broughton and Mr. Hughes abstained, indicating their current relationships with one of the firms.

After discussion, a motion was made by Mr. Jones to adopt the resolution hiring Mauldin & Jenkins. The motion was seconded by Dr. McGee with approval. The resolution is attached for reference.

Agenda Item IV. (A.)

Chairman Ivey called on Bob Crompton, the PACT Actuary for an analysis of 2008 contract pricing. Mr. Crompton provided information on the assumptions which is attached for reference.

Mr. Crompton began with a discussion of tuition inflation. He provided information and offered two scenarios for consideration. After discussion it was the consensus of the Board that Scenario B, providing a 10% tuition inflation factor for the upcoming year was prudent. The additional assumptions were discussed. A motion was then made by Mr. Jones for approval of the resolution with the assumptions in Scenario 2 for the 2008 contract pricing. The motion was seconded by Mr. Broughton with unanimous approval. The resolution is attached for reference.

Agenda Item IV. (B.)
At the February board meeting, an asset/liability study was discussed. The Board requested additional information and a recommendation from Callan. Ms. West presented information for consideration and discussed alternative asset classes. She suggested educational sessions for the Board on real estate and hedge funds at the next meeting. The proposed resolution included in the board package will be considered in August following more detail discussion on the asset classes. She also discussed active vs passive management. She opined that large cap domestic equity would be the most logical place for indexing since this arena is very hard for managers to beat the index.

Ms. West then recommended changing the index for Rhumbline, the index manager. She suggested a change to the Russell 1000 vs the S&P 500 for more diversity. A motion was made by Mr. Hughes, seconded by Mr. Huff for approval. The motion unanimously passed.

Mr. Jones then made a motion to consider passive management in large cap equity as active managers are replaced and to explore the alternative asset classes recommended. The motion was seconded by Dr. McGee with unanimous approval.

A motion was then made by Mr. Jones to do a Request for Proposal for a replacement for New Star. The motion was seconded by Mr. Huff with unanimous approval.

Agenda Item IV. (C.)
Chairman Ivey called on Ms. Emfinger for an explanation of the proposed changes to the 2008 Rules and Disclosure Statement. Ms. Emfinger provided information on the proposed changes, which is attached for reference. She explained that these were primarily program enhancements which would provide a specific definition

were primarily program enhancements which would provide a specific definition for Tuition and Qualified Fees and also to provide more flexibility in the program. A motion was made by Mr. Broughton, seconded by Mr. Huff for approval of the Resolution. Chairman Ivey called for discussion. Mr. Murphree asked for a change in the name of the "Bond Surety Fee" since a name change to "Reserve Fund Fee" had already been approved by Postsecondary. Dr. Fitch also questioned the General University Fee. After discussion a motion was made by Mr. Murphree to amend the list of fees in the resolution to change the name as discussed. The motion was seconded by Mr. Hughes. With a nay vote from Dr. Fitch, the motion carried. The amended resolution was then moved by Mr. Jones, seconded by Mr. Broughton with unanimous approval.

Agenda Item V. (A.) and V.(B.)
Information was provided on a recent petition and phone calls with Callan.

Agenda Item V. (C.)
Chairman Ivey called on Mr. Jerry Harris to discuss his performance with the Board. Ms. Ivey asked Mr. Harris for his thoughts about his backup in the firm, including his replacement at retirement. Mr. Harris stated that Kent Russell would be his replacement but that he had no immediate plans to retire.

Mr. Harris provided information to the Board on his performance. He explained that he held six CDO's which had been marked to market with a resulting unrealized loss of 40%. He further explained that each was income producing and that they only represented 1% of the assets he managed. He further expressed his belief that these would be held to maturity and regain their value. He also stated that the firm had consistently maintained their investment discipline.

There being no further business, the meeting was adjourned at 2:15 p.m.

Kay Ivey

Chairman Kay Ivey

AGENDA ITEM IV. (C.)

Adopted Resolution by the
PACT Board of Trustees at its meeting on May21, 2008

Topic: Revisions to the PACT Rules and Disclosure Statement for 2008

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan pursuant to Title 16, Chapter 33C of the *Code of Alabama,* 1975 in recognition that the advancement of higher education in the State of Alabama is a proper governmental function and purpose of the State of Alabama;

WHEREAS, the Plan consists of two programs, one of which is the Prepaid Affordable College Tuition Program;

WHEREAS, Section 16-33C-2.1 of the Act provides that the State Treasurer of the State of Alabama (the "Treasurer") shall administer the PACT Program in accordance with the provisions of the Act and the rules, regulations, and guidelines ("Program Rules") established by the Board of Trustees (the "Board");

WHEREAS, the Board has determined that it is appropriate to revise and amend the Disclosure Statement and the Rules for 2008; and,

WHEREAS, the Board has reviewed the revised documents as attached;

THEREFORE, BE IT RESOLVED, that the Board approves the proposed 2008 Disclosure Statement that includes the 2008 PACT Rules.

AGENDA ITEM IV. (D)

Adopted Resolution by the PACT Board of Trustees at its meeting on May 21, 2008

Topic: Selection of Auditors May 21, 2008

WHEREAS, the Prepaid Affordable College Tuition Board of Trustees (the "Board") has the power to contract for necessary services for a period not exceeding five years subject to the requirements of Section 16-33C-5(7), Code of Alabama (1975); and,

WHEREAS, the Board has determined that financial auditing services are services requiring professional assistance; and,

WHEREAS, the Board on March 20, 2008 issued a Request for Proposal ("RFP") for Financial Auditing Services to include an audit of the balance sheet and the related statements of income, retained earnings and cash flows for the trust Fund and a written report and discussion of the results; and,

WHEREAS, the Board widely disseminated the RFP, including mailing 143 letters and access through the Treasurer's website, with a due date of April 24, 2008; and,

WHEREAS, the Request for Proposals provided the selection would be made on May 21, 2008; and

WHEREAS, the Board of Trustees ("Board") received two RFP Responses, to the Requests for Proposals for Financial Auditing Services, ; and

WHEREAS, each responder appeared and made a presentation to the Board and answered questions from the Board;

NOW THEREFORE BE IT RESOLVED, that the Board authorizes the Treasurer to negotiate and execute a contract with Mauldin & Jenkins L.L.C. for Financial Auditing Services for PACT for the period October 1, 2008 to September 30, 2013.

THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS

August 27, 2008
10:00 a.m.

MINUTES

Present:
Chairman Kay Ivey
Mr. Russell Buffkin
Dr. Greg Fitch
Mr. Willie Huff
Mr. Daniel Hughes
Mr. Ricky Jones
Dr. Harold McGee
Ms. Linda Adams for Lt. Governor Folsom
Mr. Gene Murphree for the Chancellor of Postsecondary Education

Others Present:
Ms. Daria Story, Assistant Treasurer
Mr. Anthony Leigh, Deputy Treasurer
Ms. Brenda Emfinger, College Savings Programs Director
Ms. Pam Stevenson, Assistant Director, College Savings Programs
Mr. Mike Manasco, Treasury Legal Counsel
Ms. Millie Viqueira, Callan Associates
Mr. Bob Crompton, Actuarial Resources
Mr. Rick Sherman, Regions Bank
Ms. Barbara Watson, Regions Bank
Mr. Larry Ransberg, Regions Bank
Mr. George Brown, George Brown & Associates
Mr. Dave White, Birmingham News
Mr. Robert Bartlett and Mr. Mike Solecki, GE Asset Management
Mr. Paul Blankenhagen, Ms. Joliet Cohn,
and Mr. Eric Lareau, Principal Global Investors
Mr. Ted Shasta and Mr. David Settles, Wellington Management Company

Pursuant to written and public notice, a meeting of the Board of Directors of the PACT Program was held in the 6th Floor Conference Room of the RSA Union Building, Montgomery, Alabama, on August 27, 2008.

Agenda Item I.
The meeting was called to order by Chairman Kay Ivey at 10:10 a.m. Roll was taken and a quorum was present.

Agenda Item II.
The minutes of the May 21, 2008 Board meeting were presented. A motion was made by Dr. McGee, seconded by Mr. Murphree for approval as written. The motion unanimously carried.

Agenda Item III (A.)
Chairman Ivey called on Brenda Emfinger for the program report, which is attached for reference. Ms. Emfinger called the Board's attention to a sample "Eligibility Letter" mailed to matriculating beneficiaries. She then shared information on income received from the Securities Lending program.

Agenda Item III. (B.)
Chairman Ivey introduced Mille Viqueira from Callan who was substituting for Annoesjka West. Ms. Viqueira began the quarterly investment report with an analysis of the markets. She stated that there was no good news to report with the problems in the subprime and real estate markets continuing. She also stated that the global markets were not performing as expected which resulted in all major assets in negative territory.

Ms. Viqueira called the Board's attention to page 9 of the report showing that asset allocation was in line with the target. Market value of assets at quarter end was $687,739,000 with a negative return of .59%. Had the assets been passively managed, the return would have been negative 1.5% which shows that active management added value.

Ms. Viqueira then discussed the executive summary of managers. She stated that InTech was on the list to be monitored, but their performance was better this quarter and Callan was comfortable with them.

She then discussed Acadian, on the review list, stating that their underperformance came in the first quarter and that they were not overly concerned with them.
New Star, under review, will be replaced with a manager selected today.

Western Asset Management, also under review, had a difficult time the past quarter but so did all other fixed income managers. Ms. Viqueira stated that the company had depth and resources and that performance should improve.

Ms. Viqueira then discussed Sterne Agee who is on the list for replacement. She stated that Callan does have concerns about Sterne, related to their underperformance and their lack of resources and depth. These concerns have been expressed in the past. Mr. Huff expressed his concern that Sterne held illiquid securities and this may make it difficult to terminate them. The mortgage backed, CMO, and CDO markets were discussed at length. Mr. Huff and Mr. Hughes expressed concern with the Western holdings as well and asked that an analysis of the mortgage backed/CMO portfolio be presented at the next meeting.

Ms. Viqueira expressed concern that Sterne Agee's portfolio had more risk because the securities held were significantly different than the benchmark. She also expressed concern with the organization, process, and people. She further stated that they have two major institutional clients which are PACT and the Alabama Trust Fund. When asked about policy guidelines, she stated that they were not outside of policy guidelines, but that their selection of investments was in question. She shared with the Board an analysis, requested from Western, of Sterne Agee's CDO investments. These investments are illiquid and very little is known about them. The analysis is attached for reference.

Ms. Viqueira discussed several options for consideration by the Board. Sterne could be terminated and replaced, but the portfolio would take a significant loss on the illiquid securities. The second option would be to start a transition away from Sterne by taking half of their assets to be managed passively or in a core fixed income product. The third option would be to have Western take the illiquid assets in a separate account which would require a fee of $40,000 and then transition the remaining assets to a new manager. Mr. Jones asked for the value of these securities and Ms. Viqueira stated that they were at a value of approximately $4 million.

The Board then discussed a number of issues and options related to the Sterne portfolio. Mr. Hughes suggested that the Board make this decision after the new asset classes were discussed. With agreement, Ms. Viqueira then began the discussion of alternative asset classes.

Agenda Item IV. (A.)
Information was provided to the Board on hedge funds, real estate and international fixed income and is attached for reference. Ms. Viqueira stated that Callan was recommending real estate because of its low correlation with equities and fixed income. She stated that these assets have a strong income component and have historically had good returns. She explained that they were recommending core private real estate and not Real Estate Investment Trusts. The Board then agreed to forego a discussion of the other asset classes to focus on real estate.

Ms Viqueira discussed in more detail private real estate. She explained that private real estate would include core properties such as office buildings, industrial, retail and other specialty properties. By using a core strategy, existing properties would be purchased with at least 80% of the properties leased upon purchase and located in economically diversified metropolitan areas. Adding real estate to the portfolio would help further diversify, provide competitive returns, have a strong income component and provide an opportunity to take advantage of inefficient markets. She then discussed the appropriate index for these which is the NCREIF.

Ms. Viqueira stated that Callan recommends a 10% allocation to this new asset class and that there would be a fee of $40,000 to conduct the search.

Mr. Hughes then made a motion to adopt the resolution for asset allocation to include the following: 38% large cap equities, 9% small/mid cap equities, 20% international equities, 23% fixed income and 10% core real estate. Mr. Jones seconded the motion with unanimous approval. The resolution is attached for reference.

The Board then continued the discussion of Sterne Agee. With the adopted asset allocation, fixed income would be reduced so it was the consensus of the Board that half of the Sterne assets would be transitioned to fund real estate once a manager was hired. Additionally, the Board agreed that a core fixed income passive manager would serve the needs of PACT in place of the Sterne portfolio. It was discussed and approved that the Investment Committee meet to review a list of core fixed income passive managers and recommend a manager to the Board for approval at the next meeting. The Board will interview real estate managers for selection at the next Board meeting. A motion was made by Mr. Huff to issue Request for Proposals for a passive fixed income manager and a private real estate manager for consideration at the November meeting. The motion was seconded by Mr. Jones and unanimously approved.

Agenda Item IV. (B.)
Chairman Ivey called on Mr. Bob Crompton for a discussion of contract pricing. Chairman Ivey explained that after the adoption of the 2008 contract pricing at the May meeting, college tuition increases had been announced and that she felt it would be prudent to reconsider the assumption related to the tuition increase. Mr. Crompton then presented three alternatives that he recommended. He further stated that he believed the Board should adopt pricing at an increase that the market could bear. Chairman Ivey questioned the 2nd and 3rd alternatives since they had not been recommended previously. Mr. Crompton stated that the recommendations were based on his experience in the industry. Dr. Fitch shared information compiled on the actual 2008 fall tuition increases which showed a

10.99% increase. It was noted that the following year would likely also sustain double digit tuition increases. After discussion, Mr. Jones made a motion to approve the contract pricing resolution with a tuition/qualified fee assumption of 12% for 2008/2009 and 7.5% thereafter. The motion was seconded by Dr. McGee with unanimous approval. The resolution is attached for reference.

Agenda Item IV. (C.)
Ms. Viqueira stated that three managers would be presenting for selection of an international equity manager with a growth bias. At the last meeting, the Board had voted to replace New Star who maintains a portfolio of approximately $95 million.

Ms. Viqueira discussed GE Asset Management stating that they manage approximately $14 billion in assets. They have a fundamentally driven process with a focus on larger companies – which would be a good offset to Acadian, the other international manager. They have a multiple manager structure and hold between 90 and 120 securities with a low turnover rate. Their exposure to emerging markets is 10 to 15% with an EAFE benchmark.

She then discussed Principal Global Investors, stating that they have strong returns and hold about $7.5 billion in assets. She stated that they have 2 managers which they leverage with a research engine. She stated that they have a smaller market cap which makes them look a little more like Acadian with 80 to 85% in developed markets. They are broadly diversified with over 400 securities and a 100% turnover rate.

Wellington was discussed as the most purely bottom up manager, being sector neutral. They have analysts who cover each sector and hold 20% in emerging markets. They typically have 100 to 120 securities and have a 100% turnover rate.

Following this discussion, representatives of each firm appeared before the Board for a question/answer session. Approximately 30 minutes was spent with each group of presenters. There was a very active discussion with each firm. Following the interviews, a motion was made by Mr. Jones to approve the resolution hiring Principal Global Investors with a negotiated fee of no more than 65 basis points. The motion was seconded by Mr. Huff. With Dr. Fitch voting no, the motion carried. Discussion materials and the Resolution are attached for reference.

Agenda Item V.(A.)
Mr. Anthony Leigh gave a marketing report. Mr. Leigh informed the Board that the results of the marketing research study had been received and a summary provided in the package. The full report is available to any Board member that is

interested. Based on this information, a new television ad was being developed and radio advertising was being discontinued. He also stated that a new quad fold brochure would be mailed to schools for children in K through 3rd grade. A website address, www.800-ALAPACT.com has been established to reinforce the toll free number and to make it easier to get information on PACT.

There being no further business, the meeting was adjourned at 3:30 p.m.

Kay Ivey

Chairman Kay Ivey

Brenda Emfinger

Brenda Emfinger, Recording Secretary

Adopted Resolution for Consideration by the PACT Board of Trustees at its meeting on August 27, 2008

Topic: Approval of Strategic Asset Allocation

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan (the "Plan") pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975 (the "Act"); and,

WHEREAS, the Board of Trustees ("Board") was created and charged with the oversight of the PACT Trust Fund by Section 16-33C-4, with powers enumerated in Section 16-33C-5(1)-(12); and,

WHEREAS, in subsection (3) therein, the Board has power to invest as it deems appropriate any funds in the PACT Trust Fund in any instrument, obligation, security, or property that constitutes legal investments for public funds in the state, including legal investments for the State Treasurer and the Alabama Trust Fund; and,

WHEREAS, Callan Associates, Investment Consultant to the Board, conducted a Strategic Asset/ Liability Study that was presented at the February 27, 2008 and May 21, 2008 Board meetings and included different asset mixes based on a projected risk/reward structure and projected correlations to achieve a targeted rate of return; and

WHEREAS, Callan informed the board that there were various options that could be considered to increase the likelihood of achieving the desired investment return given an expected level of risk, including a reallocation of the current asset classes or adding additional classes; and

WHEREAS, Callan presented various information concerning international fixed income, hedge funds and real estate to the board for consideration at the August 27, 2008 meeting,

NOW, THEREFORE BE IT RESOLVED, that the Board approves the below specified asset allocation classes and the stated percentages of the investment portfolio indicated adjacent thereto.

Asset Class	% Allocated
Domestic Large Cap Stocks	38%
Domestic Small Cap Stocks	9%
International Equity	20%
Domestic Bonds and Cash	23%
Real Estate	10%

Adopted Resolution by the
PACT Board of Trustees at its meeting on August 27, 2008
Topic: 2008 PACT Contract Pricing

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975; and

WHEREAS, the Board of Trustees at its February 27, 2008 meeting adopted contract pricing assumption for "Tuition and Qualified Fee Inflation of 10% for 2008 and 7.5 % thereafter, and

WHEREAS, since that meeting, the Fall 2008 tuition increases have been announced and are compiled in the attached table; and

WHEREAS, the Board has discussed and reviewed the attached scenarios provided by the Actuary which the Actuary recommends as reasonable for Contract Pricing for Fall 2008;

NOW THEREFORE, BE IT RESOLVED, that the Board does hereby adopt the Tuition and Qualified Fee Inflation assumption for Fall 2008 as specified below for 2008 PACT Contract Pricing:

12% for 2008/2009, and 7.5% thereafter.

Adopted Resolution by the PACT Board of Trustees at its meeting on August 27, 2008

Topic: Removal and Replacement of PACT International Equity Manager

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan (the "Plan") pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975 (the "Act"); and,

WHEREAS, the Board of Trustees ("Board") is created and charged with the oversight of the PACT Trust Fund by Section 16-33C-4, with powers enumerated in Section 16-33C-5(1)-(12); and,

WHEREAS, the procurement of professional service providers is subject to the requirements of Section 41-16-72(4), *Code of Alabama, 1975* and,

WHEREAS, at the May 21, 2008 board meeting, the PACT investment consultant, Callan Associates, recommended replacing New Star international equity manager and issuing a Request for Proposal for a core international equity manager,

WHEREAS, the RFP was issued and Callan has evaluated the 62 Proposals received and has recommended three (3) respondents to make oral presentations to the Board on August 27, 2008 ;

NOW, THEREFORE, BE IT RESOLVED, that based upon thoughtful consideration of the oral and written presentations made, the Board is satisfied that the Manager selected has demonstrated the requisite expertise, ability and professional skill necessary to best meet the current needs and best interest of the Plan and the Board authorizes the Treasurer to terminate the existing Investment Management Agreement with New Star Institutional Managers Limited and to negotiate and execute a contract with Principal Global Investors for International Core Equity Investment Management Services for PACT for a period of five years and further that if a Investment Management Agreement cannot be successfully negotiated, that Treasury Staff is authorized to negotiate with the next preferred respondent(s) GE

THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS

November 19, 2008

10:40 a.m.

MINUTES

Present:

Chairman Kay Ivey
Mr. Tom Broughton
Dr. Greg Fitch
Mr. Willie Huff
Mr. Daniel Hughes
Mr. Ricky Jones
Mr. Gerry Sasnette for Lt. Governor Folsom
Mr. Gene Murphree for the Chancellor of Postsecondary Education

Others Present:

Ms. Daria Story, Assistant Treasurer
Mr. Anthony Leigh, Deputy Treasurer
Ms. Brenda Emfinger, College Savings Programs Director
Ms. Pam Stevenson, Assistant Director, College Savings Programs
Ms. Malathi Ganesh, PACT Accountant
Mr. Mike Manasco, Treasury Legal Counsel
Ms. Millie Viqueira, Callan Associates
Ms. Annoesjka West, Callan Associates
Mr. Bob Crompton, Actuarial Resources
Mr. George Brown, George Brown & Associates
Mr. Nathan McCarthy, The Runkle/Haynes/McCarthy Group
Ms. Markeshia Ricks, The Montgomery Advertiser
Mr. Jim Shanley and Mr. John Fox, BNYMellon
Ms. Frances Combs and Mr. James Sho, Western Asset Management

Pursuant to written and public notice, a meeting of the Board of Directors of the PACT Program was held in the 6th Floor Conference Room of the RSA Union Building, Montgomery, Alabama, on November 19, 2008.

Agenda Item I.

The meeting was called to order by Chairman Kay Ivey at 10:40 a.m. Roll was taken and a quorum was present.

Agenda Item II.
The minutes of the August 27, 2008 Board meeting were presented. A motion was made by Mr. Broughton, seconded by Mr. Hughes for approval as written. The motion unanimously carried. Chairman Ivey requested an addition of an item to the Agenda which would be III.B.(3.) to discuss a request from the Chancellor of Postsecondary related to managers performance and the index.

Agenda Item III (A.)
Chairman Ivey called on Brenda Emfinger for the program report, which is attached for reference. Ms. Emfinger called the Board's attention to sample information provided to people who enroll in the program. She then shared current enrollment information with 279 contracts sold as compared to 283 last year at this point.

Agenda Item III. (B.)
Chairman Ivey called on Ms. West and Ms. Viqueria for the quarterly investment report which is attached for reference. Ms. West began by giving the Board an update on a lawsuit that had been settled relating to a participant in a pension plan. She informed the Board that the suit had been settled because of the cost of the anticipated litigation with no admission of guilt from Callan.

She then gave an overview of the economy stating that this had been a very difficult quarter with a credit crisis and liquidity crunch. Five investment banks failed and the Federal Reserve continued to pump money to try to bring liquidity back to the market. We are certainly in a recession with the job market worsening. She stated that Callan expected this to continue into 2009 and a slight recovery in 2010.

She then discussed the equity market. Financials were the best performing sector. Value was ahead of growth and small cap outperformed large cap. Fixed income saw a flight to quality and internationals were also down because of the global recession.

Asset allocation was close to the target with international equity underweighted and domestic fixed overweighted. Rebalancing was not needed because these are within the guidelines.

For the quarter, the overall return was -10.06% with active management having a negative effect of 2.45%. For the year, the return was -19.16% with manager effect causing 2.47% of that. Ms. West stated that this has been a very difficult time for managers because fundamentals are being ignored with fear causing

extreme turmoil in the markets. The Fund ranked in the bottom quartile of similar funds.
Managers were then discussed. InTech uses a mathematical formula for stock selection. Their return was -13.22% vs the index of -12.33%. CS McKee had a return of -9.43% vs the index of -6.11%. Earnest Partners returned -4.98% vs their index of 4.96% while Turner had a -11.95% vs the index of -6.99%. Acadian's return of -20.92% was compared to an index return of -20.56% and New Star with -22.55% against a benchmark of -20.56%. Sterne Agee had a positive return of .28% while the index was -.49%. Western returned -33.8% against the same index of -.49%.

Ms. Viqueira stated that these are unprecedented times with violent swings in the market. She reiterated that managers with a fundamental process have a difficult time when the markets are irrational. She urged the Board to stay the course and be deliberate in decisions since the next year will be very difficult.

Agenda Item III. B. (1.)
Ms. West then discussed information provided on the Western portfolio. She stated that there was only one security in danger and that they did not expect any defaults.

Agenda Item III. B. (2.)
The Board then discussed the funding of Principal. the newly hired international equity manager. Chairman Ivey questioned the prudence in liquidating a portfolio in turbulent times and whether or not this would be in the best interest of PACT. Transition costs were also discussed. noting that these would be higher. given the nature of the current markets. Mr. Hughes concurred with Callan that the new manager would be expected to have better performance and therefore, we should proceed. A motion was made by Mr. Broughton and seconded by Mr. Hughes to provide a termination notice to New Star and proceed with the funding of Principal. The motion passed unanimously.

Agenda Item III. B. (3.)
Chairman Ivey informed the Board that she had received a request from Chancellor Bradley Byrnes concerning his analysis of the current managers. He had expressed concern that most of our managers were underperforming their indices and that there should be managers who consistently outperform. Ms. West explained that all managers were hired because of their good performance and that no manager outperforms every quarter. She explained that it is more prudent to look at returns over rolling periods of 3 to 5 years.

Agenda Item IV. (A.)
Chairman Ivey asked Mr. Crompton to discuss assumptions for the 2008 Trust Fund Valuation. She began by reminding the Board that assumptions must be realistic and based on the best information available in order to provide a good analysis of the funded status. She also reminded the Board that this is a "snapshot" of the status on one day, September 30.

Mr. Crompton reiterated that these are very difficult times and that investment losses are reflected in the funded status. He expressed his concern that the fund would have lost somewhere over $200 million this past year.

He began with a discussion of the tuition/fee assumption, stating that he believed the 7.25% was a good long term assumption but given the current increase of approximately 12% and another double digit expected next year, he was recommending 12% for 2009/2010 with 7.25% thereafter. Chairman Ivey stated that with the 12% increase, the current average was around 7.2% and questioned the need for a one time injection as opposed to a level assumption. It was the consensus of the Board that 7.25% seemed the more reasonable.

Mr. Crompton then provided a recommendation concerning the investment return assumption. The current assumption is 8.07% through 2011/12 and 8.5% thereafter. His recommendation, based on Callan's outlook, was 8.02% through 2012/12 and 8.3% thereafter. After much discussion, it was the consensus of the Board that a level assumption of 8.02% was prudent.

The third assumption discussed was the bias toward higher cost institutions. Mr. Crompton discussed the trend for the last 5 years and recommended 14% for the four-year schools and 2% for the two-year schools. There were no recommended changes for the other assumptions.

A motion was made by Mr. Jones, seconded by Mr. Hughes to adopt the resolution for the assumptionsas discussed to be used in the 2008 Trust Fund Valuation. The motion carried unanimously and is attached for reference.

Agenda Item IV. (B.)
Chairman Ivey presented the revised Investment Policy . She and Ms. West explained the recommended changes in detail with the Board . After discussion, a motion was made by Mr. Broughton, seconded by Mr. Hughes for adoption of the resolution approving the policy. There was unanimous approval and the resolution is attached for reference.

Agenda Item IV. (C.)
Ms. West discussed the results of the Request for Proposals that was issued for a passive fixed income manager. She stated that 5 proposals were received and she discussed each one. She stated that two of the respondents had a more core plus strategy and that Northern Trust was having issues with Securities Lending. State Street Global Advisors and Standish Mellon Asset Management Company were presented for consideration. She stated that both were large organizations with stable management. Standish Mellon has approximately 15% public clients while State Street has 30%. She stated that both have outperformed the benchmark with State Street having a slightly lower tracking error. Standish Mellon quoted fees of 10 basis points while State Street quoted 6 basis points. Mr. Jones made a motion to approve the resolution hiring State Street with Standish Mellon as second choice. The motion was seconded by Mr. Huff with unanimous approval. The resolution is attached for reference.

Agenda Item IV.C. (3.)
Because half of the Sterne Agee assets would be used to fund the new real estate mandate, Chairman Ivey suggested a delay in the discussion of Sterne Agee until the real estate issue was resolved. After the Board agreed to interview real estate managers, it was decided that a transition manager would be hired to review the Sterne portfolio to determine the best method of liquidating half of the assets. The remaining half would be managed by Sterne until the real estate manager was hired.

Agenda Item V.
The Board then discussed real estate. Mr. Broughton expressed concern over this new asset class while Mr. Hughes stated that he thought there would be good buying opportunities over the next 6 to 8 months. Ms. West explained that it would take 6 to 9 months to implement the mandate. After a discussion of the merits of entering into a new asset class, it was the consensus of the Board to move forward. Ms. West presented the results of the recent Request for Proposals for a core real estate manager. Information on the five managers recommended by Callan was presented. Ms. West stated that Callan was recommending two managers for diversification. The Board questioned the need for two managers but agreed to interview four of the candidates at the February meeting. All but ING were requested to make a presentation.

Agenda Item VI.
Chairman Ivey called on Jim Shanley and John Fox from BNYMellon to discuss securities lending. She began the discussion with questions about liquidity issues and custodial risk. Mr. Fox explained that they fully expected that all cash collateral would pay principal at maturity and that there would be no defaults. He explained that the issuer list had shrunk and that they were building liquidity. He

explained that there was no custodial risk because PACT was a segregated account and as such, untouchable. The report was received as information.

Agenda Item VII.

Ms. Frances Combs and Mr. James Sho discussed the performance of Western Asset Management. Chairman Ivey began the discussion by asking them to explain how they would improve their performance and to discuss the TBA securities. Ms. Combs explained that their portfolio was poised to do well going forward. She explained that they took a long term view and were underweight in Treasuries. Mr. Sho explained their process by stating that as value managers, they increased their positions in good companies when the price decreased. He also explained that spreads were dysfunctional. Ms. Combs discussed the TBA (To Be Announced) securities and explained that they did not consider them leveraged because they were backed by cash collateral.

There being no further business, the meeting was adjourned at 3:20 p.m.

Kay Ivey

Chairman Kay Ivey

Brenda Emfinger

Brenda Emfinger, Recording Secretary

AGENDA ITEM IV. (A)

Adopted Resolution by the
PACT Board of Trustees at its meeting on November 19, 2008
Topic: Assumptions for 2008 PACT Trust Fund Valuation

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan (the "Plan") pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975 (the "Act"); and,

WHEREAS, the Board of Trustees ("Board") is created and charged with the oversight of the PACT Trust Fund by Section 16-33C-4, with powers enumerated in Section 16-33C-5(1)-(12); and,

WHEREAS, as a part of oversight the Board of Trustees is responsible for approval of the actuarial assumptions used in the annual fiscal year end valuation of the trust fund; and,

WHEREAS, the actuarial consultant, Robert B. Crompton, Actuarial Resources Corporation, has provided his recommendations, assumptions and advices to the Board, and the Board had substantial discussion and consideration thereof;

THEREFORE, BE IT RESOLVED, that the Board adopts the following assumptions to be used in the September 30, 2008 trust fund valuation:

Tuition Inflation: 7.25%
Investment Return: 8.02%
Total Hours Utilized: 128
Benefit Usage: 8 semesters @ 15 hours/semester plus 9th semester at 8 hours
Two-Year College Participation: 10%
Bias toward Higher Cost Institutions: Four-Year: 14% and Two-Year: 2%
Payment of Tuition and Qualified Fees: 45% fall; 45% spring; summer 10%
Payout Months: Fall – Nov 1; Spring – Mar 1; Summer – Aug 1
Death/Disability - 0

Contract Cancellations:

(Year 0 = year of purchase)	**Lump Sum**	**5-Year**	**Extended**
Year 0	.5%	5%	6%
Year 1	.5%	2%	5%
Year 2	.5%	1%	4%
Year 3	.5%	1%	4%
Year 4	.5%	1%	3%
Year 5 and later	.5%	1%	2%

AGENDA ITEM IV. (B)

Adopted Resolution by the
PACT Board of Trustees at its meeting on November 19, 2008

Topic: Adoption of Changes to the May 2007 Investment Policy

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan (the "Plan") pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975 (the "Act"); and,

WHEREAS, the Board of Trustees ("Board") is created and charged with the oversight of the PACT Trust Fund by Section 16-33C-4, with powers enumerated in Section 16-33C-5(1)-(12); and,

WHEREAS, in subsection (3) therein, the Board has power to invest as it deems appropriate any funds in the PACT Trust Fund in any instrument, obligation, security, or property that constitutes legal investments for public funds in the state, including legal investments for the State Treasurer and the Alabama Trust Fund; and,

WHEREAS, in Subsection (11) therein, the Board has power to establish other policies, procedures, and criteria necessary to implement and administer the provisions of the law; and,

WHEREAS, the Board Investment Consultant, Callan Associates, has reviewed and revised the May 2007 Investment Policy to indicate recommended changes to theBoard; and,

WHEREAS, the Board has considered the recommended changes and comments from Treasury staff and General Counsel;

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the attached Investment Policy with revisions indicated therein to the Investment Policy to be entitled the November 2008 Investment Policy and Guidelines Statement.

AGENDA ITEM VI. (C)
Adopted Resolution by the
PACT Board of Trustees at its meeting on November 19, 2008

Topic: PACT Passive Fixed Income Investment Manager

WHEREAS, the Legislature has created the Wallace-Folsom College Savings Investment Plan (the "Plan") pursuant to Title 16, Chapter 33C of the *Code of Alabama*, 1975 (the "Act"); and,

WHEREAS, the Board of Trustees ("Board") is created and charged with the oversight of the PACT Trust Fund by Section 16-33C-4, with powers enumerated in Section 16-33C-5(1)-(12); and,

WHEREAS, the procurement of professional service providers is subject to the requirements of Section 41-16-72(4), *Code of Alabama, 1975* and,

WHEREAS, at the August 27, 2008, Board meeting, the PACT investment consultant, Callan Associates, recommended issuance of a Request for Proposals (RFP) for Passive Fixed Income Investment Management services; and ,

WHEREAS, the RFP was issued on September 8, 2008 and Callan has evaluated the five Proposals received and provided an analysis to the Board on November 19, 2008,

NOW, THEREFORE, BE IT RESOLVED, that based upon thoughtful consideration, the Board is satisfied that the Investment Manager selected has demonstrated the requisite expertise, ability and professional skill necessary to best meet the current needs and best interest of the Plan and the Board authorizes the Treasurer to negotiate and execute a contract with State Street for Passive Fixed Income Investment Management services for PACT for a period of five years. Further, if an Investment Management Agreement cannot be successfully negotiated, Treasury Staff is authorized to negotiate with the next preferred respondent(s), Standish Mellon.